



Please Keep Your Email Addresses Current When you have personnel changes, remember to send us any email address changes. You can send these to operations@pay-net.net. By doing this, our list will remain current. When we send out ENewsletters or email “blasts”, we get over 30 bounce-backs because the email addresses were no longer valid.

Pay-Net Email Addresses: If you need to communicate with us, we recommend that you send us an email. This practice will provide you, and us, a hard copy of the communication. Here are Pay-Net’s current email accounts.

- Wayne Lee (Owner): wayne@pay-net.net
- Hollis (General Manager): hlee@pay-net.net
- Anna (Tax Manager): atudor@pay-net.net
- Gloria (Operations Mgr): gbal@pay-net.net
- Amy (Operations): ateepie@pay-net.net
- Becky (Operations): rbaker@pay-net.net
- Chris (Operations): cbrashar@pay-net.net
- Ivan (Technical): idiaz@pay-net.net
- General Communication: operations@pay-net.net (this will be forwarded to the appropriate Person)
- Jaime (Sales): jlee@pay-net.net

Of course, if you need to talk with us immediately, we do answer the phones with *live* people, not voice mail. If you happen to get into our voice mail system, be assured that all of us are on the phone when you called.

Pay-Net’s web site: If you have the opportunity, please visit our web site at www.pay-net.net and let us know what you think about it. We have completely revamped our web site a few months ago. Send your responses to operations@pay-net.net.

Holiday Processing Schedule: Please take note of the holiday schedule as you prepare your payroll information and be aware of Pay-Net’s operating hours.

- ▶ If you normally date your checks for Thursday, December 25th, your check date will roll back to Wednesday, December 24th. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Monday, December 22nd.
- ▶ If you normally date your checks for Friday, December 26th, and you have direct deposit, we need your payroll information before noon on Tuesday, December 23rd.
- ▶ If you normally date your checks for Monday, December 29th and you have direct deposit, we need your payroll information before 9:30am on Wednesday, December 24th. Our bank is closing early on the 24th; please remember to allow enough processing time to complete your payroll before the cutoff. If everyone waits until 9:00 to transmit their payroll, we cannot guarantee direct deposit will fund on Monday.

- ▶ Wednesday, December 24, 2014, Christmas Eve. Pay-Net will be closing at noon.
- ▶ Tuesday, December 30th – LAST DAY TO REPORT ANY WAGES, ADJUSTMENTS, ETC. that you want reported on your W2 Forms.
- ▶ Wednesday, December 31, 2014, New Years Eve – Pay-Net will be closing at noon.
- ▶ If you normally date your checks for Thursday, January 1, 2015, your check date will roll back to Wednesday, December 31st. If this applies to you, and you have direct deposit, we need your payroll information before 3:00pm on Monday, December 29th.
- ▶ If you normally date your checks for Friday, January 2, 2015, and you have direct deposit, we need your payroll information before noon on Tuesday, December 30th.
- ▶ If you normally date your checks for Monday, January 5, 2015 and you have direct deposit, we need your payroll information before 9:30am on Wednesday, December 31st. Our bank is closing early on Wednesday; please remember to allow enough processing time to complete your payroll before the cutoff. If everyone waits until 9:00 to transmit their payroll, we cannot guarantee direct deposit will fund on Monday.

▶ W2 processing will begin at noon on Wednesday, December 31st. If everything goes well, you should have your employer copies of W2's on your Document Portal before Monday, January 5th.

FUTA Credit Reduction for 2014: You should have received our email on this subject in November. Here is the text of that email:

For California, there will be a 1.8% total FUTA tax for 2014. That means that for every employee making over \$7,000, you will be paying an additional \$84.00 more in FUTA tax than what you were already drafted during the year.

During 2014, FUTA taxes were drafted at the rate of 0.6% of wages, or \$42.00 for each employee earning \$7,000 or more.

This actually is a BIG break for California employers since the initial figures from the Department of Labor indicated that the FUTA taxes were going to be a lot higher.

For our clients with employees in other states, here are the final FUTA rates:

California:	1.8%
Connecticut:	2.3%
Indiana:	2.1%
Kentucky:	1.8%
New York:	1.8%
North Carolina:	1.8%
Ohio:	1.8%
Virgin Islands:	1.8%
All other State:	0.6%

All the other states have repaid their federal loans for unemployment, so there is no increase in their FUTA tax. Last year there were some 21 states with FUTA credit reductions, this year only 8.

Regarding the FUTA Credit Reduction (Basically an additional \$84.00 per employee that earned over \$7,000 for the year):

For our Tax Filing Clients: in January, we will be sending you a letter, probably in your Document Portal, that will inform you of the amount of money and the date that Pay-Net will be drafting your bank account for this “extra” FUTA tax. We will then make the deposit in accordance to IRS regulations.

For our Non-Tax Filing Clients: The FUTA Credit Reduction amount will be included in your FUTA deposit due 02/01/2015. For a detailed breakdown of this deposit, you can examine your 940 Form which will show you the Credit Reduction amount and is found in your quarterly/annual return file in the Document Portal.

Holiday Schedule: The following remaining holidays are scheduled for 2014 and we have added the holidays for 2015. The official “bank holidays” are marked with an “*”

- ▶ * Thursday, December 25, 2014 – Christmas – Pay-Net will be closed
- ▶ * Thursday, January 1, 2015 – New Year’s Day – Pay-Net will be closed
- ▶ * Monday, January 19, 2015 – Martin Luther King Day – Pay-Net will be open
- ▶ * Monday, February 16, 2015 – President’s Day – Pay-Net will be open
- ▶ * Monday, May 25, 2015 – Memorial Day – Pay-Net will be closed
- ▶ * Friday, July 3, 2015 – Independence Day observance – Pay-Net will be closed
- ▶ * Monday, September 7, 2015 – Labor Day – Pay-Net will be closed
- ▶ * Monday, October 12, 2015 – Columbus Day – Pay-Net will be open
- ▶ * Wednesday, November 11, 2015 – Veteran’s Day – Pay-Net will be open
- ▶ * Thursday, November 26, 2015 – Thanksgiving Day – Pay-Net will be closed
- ▶ Friday, November 27, 2015 – Day After Thanksgiving – Pay-Net will be closed
- ▶ * Friday, December 25, 2015 – Christmas Day – Pay-Net will be closed
- ▶ * Friday, January 1, 2016 – New Year’s Day – Pay-Net will be closed

Critical Year End Items and Dates:

November/December – The various state governments will send you the revised SUI and, if applicable, the ETT rates for 2015. Please be sure to send us a copy of these notices.

November/December – The IRS will send you a letter if your deposit frequency changes for 2015. Please be sure to send us a copy of these notices. Also, since the IRS will not communicate with Pay-Net regarding any change in your depository requirements, Pay-Net cannot be held responsible for any penalties and/or interest the IRS may charge if you do not send us a copy of this notice.

Tuesday, December 30, 2014 – the last day to enter payroll information for 2014. Any information reported after this day may be charged an additional quarterly reprocessing fee. Please be sure that all manual checks, special items such as PUC’s, fringe benefits, etc. you want to appear on the W2 Forms are reported on, or before, this date. If you want Pay-Net to delay your W2’s for such items as Third Party Sick Pay, or Allocated Tips, please notify us before December 30th.

Monday, January 19, 2015 – All Year End packages should be in your hands, unless you have requested a reprocess due to additional information that must appear on the W2 Forms.

Monday, February 2, 2015 – W2's and 1099's have to be handed out, or postmarked on this day. All Quarterly and Year End Tax Returns have to be sent to the various governmental agencies. (Since January 31st falls on a Saturday, the due dates roll forward to the next business day)

Payroll Tax Changes for 2015: The Federal Withholding Tables and California Withholding Tables are set to increase on January 1, 2015.

In addition, the changes that have been announced include an increase in the Social Security base from \$113,700 to \$118,500. California's SDI rate will drop to 0.9% but the wage base changes from \$ 101,636 to \$104,378.

An increase in 401(k) and similar retirement plans to a maximum deduction of \$18,000, up from \$17,500 in 2013 – and the “catchup” amount goes from \$5,500 to \$6,000. California's SDI rate will remain at 1%, but the base will rise from \$95,585 to \$97,571.

Simple IRA maximum deductions will rise to \$12,500 from \$12,000 and the Simple IRA “catchup” goes from \$2,500 to \$3,000.

EVS Service – Results: For those clients that used our EVS Service (Electronic Verification Service), we have received the listings back from the Social Security Administration. There is a letter listing the “problem” employees now on your Document Portal on PNO (Pay-Net Online).

There are generally two types of EVS failures that will be reported to you:

- (1) **Name Mismatch.** This error indicates that the SSN number of the employee is valid but the employee's name does not match the name on the Social Security Administration's data base. This error could be a result of a spelling error. Or, the most common error is that an employee got married and changed their name on the payroll system but not with the SSA. Or, in the case of Hispanic names, the designation of first or middle name is incorrect. In any case, compare the name on the employee's Social Security card with the name in the payroll system; they have to be the same.
- (2) **Non-Existent Number.** As described by the SSA, this means that “the SSN number of the employee has never been issued to any person living or deceased.” This could have been a simple data entry error. Again, you should check the employee's Social Security card with the SSN on the payroll system; they have to be the same.

In any case, the law is very clear that the employer cannot use the EVS result to discipline or terminate an employee. You can, however, meet with the employee and attempt to resolve the problem. Please note that if you did subscribe to the EVS Service and you did not get a letter, that means that all your employees were okay. Also, if you are not setup for the Report Portal, you will get your list in your payroll package.

Why is this important? The IRS considers these errors to result in an invalid W2 Forms. The IRS code calls for a \$50.00 per invalid W2 form penalty to be assessed to employers. However, in the real world, the IRS has not yet penalized any employer for invalid W2 forms, and hopefully this will continue. But, be aware that the Department of Homeland Security takes a keen interest in any employer with a large number of invalid W2 Forms.

San Diego Minimum Wage Increases: Earlier this year, the San Diego City Council passed a resolution that would increase the minimum wage for all employees working in the city itself effective January 1, 2015.

A petition campaign to put this issue to a vote by the city's population was successful.

The result of the petition campaign was that the increase in minimum wage has been put on "hold" pending a vote by the people. At last announcement, this vote would probably occur in June.

Employee Copies of W2 Forms: Again, this year Pay-Net will be offering a discount to those clients that opt for receiving employee copies of W2 Forms on the web. Generally, here are the guidelines for a company to have this option:

- (1) You must be using the employee "kiosk" feature of PNO.
- (2) You must inform us of your decision to offer this feature to your employees.

There are a few steps that you must do in order to activate this service. We will be sending out email instructions to those clients that are using the employee kiosk.

If you want to start using the employee kiosk, please send an email to operations@pay-net.net and be sure to give us your name and company name/number.

Important Changes at Pay-Net: The new year will introduce several changes at Pay-Net, some of which may affect your company:

- (1) ePayentry – This web-based payroll entry program will be **shut down** on January 1, 2015. All clients that were on ePayentry have been moved over to our new Pay-Net Online (or PNO). If your company has not received training on PNO, please contact our office immediately.
- (2) Report Portal – This web-based report retrieval system will also be **shut down** on January 1, 2015. It has been replaced by our Document Portal, which is part of PNO. Your Year End Returns, including employer copies of W2's, will be sent to the Document Portal. If you don't have access to your Document Portal, please contact our office immediately.
- (3) Stuffing checks into envelopes: Our Pitney Bowes "check inserter" machine has worn out and the repair person is in our office several days a week. We have made the decision to switch over to a "Pressure Seal" check effective February 1, 2015. Pressure Seal is the product that folds up on itself and seals the edges. Your employee copies of W2 forms that we have used the past 4 years are a "Pressure Seal" W2 form. More information will be forthcoming on this change over.

Important Tax Announcement: A reminder that the IRS issued a new Rev. Proc. 2012-32 that is effective November 19, 2012. This required procedure consists of many facets including the following:

- (1) Payroll providers must file a completed Form 8655 with the IRS and must ensure that the client receives copies of official notices, correspondence, transcripts, etc. **Note: Pay-Net already does this and has for over 15 years.**
- (2) Sign and electronically file Forms 941 and 940. **Pay-Net already does this.**
- (3) Make tax deposits and other federal payments by the EFTPS system. **Pay-Net already does this.**

- (4) A Reporting Agent, such as a payroll service, accountant, CPA, etc., must provide the taxpayer (client) with the following notice, as written by the IRS:

Please be aware that you are responsible for the timely filing of employment tax returns and timely payment of employment taxes for your employees, even if you have authorized a third party to file the returns and make the payments. Therefore, the Internal Revenue Service recommends that you enroll in the US Treasury Department's Electronic Federal Tax Payment System (EFTPS) to monitor your account and ensure that timely tax payments are being made for you. You may enroll in the EFTPS online at www.eftps.gov, or call (800)555-4477 for an enrollment form.

Please note that ALL payroll providers, including the big ones like ADP and Paychex and including small ones like Pay-Net, are required to notify their clients. Many years ago, Pay-Net was proactive in this area and we adopted several options for tax filing:

- (1) Complete Electronic Tax Filing. With this option Pay-Net drafts a client's bank account for all tax liabilities incurred with a payroll process. When tax deposits are due, Pay-Net makes the tax deposit electronically using the EFTPS system for Federal and the EFT system for California. For other states that allow for electronic payments, we make the deposits by EFT. At the end of the quarter, all Federal and California payroll tax returns are filed electronically, and also in other states that allow for electronic filing.
- (2) When Pay-Net enrolls a client in EFTPS, the IRS sends the client information about how to enroll in the EFTPS system. Once you are setup, then you can monitor all Federal Tax Deposits for your company. Confirm FTD. This optional service goes with (1). When a client chooses this option,
- (3) Modified Electronic Tax Filing. With this option, clients choose to have their tax deposits come directly from their own bank account. Pay-Net electronically notifies the taxing agency, and the agency drafts the client's bank account for the deposits. At the end of the quarter, all payroll tax returns are filed electronically. This method is only offered by payroll companies using the EFTPS Batch Filer Software system, which Pay-Net uses. Larger payroll companies use a different software system, the Bulk Filer System, to make tax deposits, which does not have this particular option.
- (4) Non Tax Filing. With this option, clients choose to make their own tax deposits and file their own quarterly returns.



Note from Wayne

It is hard to believe that we are almost at Year End, our really BUSY time of the year. There are a lot of changes in the works for next year at Pay-Net, so it should be an exciting year. Our software will be adding many new functions, which will benefit a lot of our clients. But, it seems, the Federal Government is on the brink of financial disaster, again, and will be passing all kinds of bills and laws to attempt to avert this disaster. So only time will tell us how these laws will affect your payroll. In the meantime, I wish all of you a great Christmas and a Happy New Years!

Wayne